

Message Text

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13

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-10 ISO-00 IO-14

JUSE-00 CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00 USIE-00

CCO-00 INRE-00 SCEM-02 PM-07 H-03 INR-10 L-03 NSC-10

PA-04 RSC-01 PRS-01 SPC-03 SS-20 ACDA-19 AID-20 OMB-01

CIEP-02 TRSE-00 STR-08 CEA-02 COME-00 FRB-02 XMB-07

OPIC-12 LAB-06 SIL-01 SCI-06 INT-08 DRC-01 /257 W

----- 128515

O P 171245Z OCT 73

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC IMMEDIATE 7917

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY BEIRUT

AMEMBASSY CARACAS

USINT CAIRO

AMCONSUL DHAHRAN

AMEMBASSY JIDDA IMMEDIATE

AMEMBASSY LAGOS

AMEMBASSY LONDON PRIORITY

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY TOKYO

AMEMBASSY TRIPOLI

AMEMBASSY VIENNA

USUN NEW YORK PRIORITY 0380

USMISSION OECD PARIS PRIORITY

C O N F I D E N T I A L KUWAIT 3784

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

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TAGS: ENRG, PFOR, XF, US

SUBJECT: OPEC AND OAPEC MEETINGS

SUMMARY

GULF OIL MINISTERS IN OPEC MEETING HERE OCTOBER 16 DECIDED ASK FOR 70 PERCENT INCREASE IN POSTED PRICES AND WILL MAKE DEMAND TO COMPANIES ON TAKE IT OR LEAVE IT BASIS. MEANWHILE OAPEC MINISTERIAL MEETING TO DETERMINE ROLE OF OIL IN PRESENT MIDEAST CRISIS HAS BEGUN. BELIEVE ARAB OIL MINISTERS WILL FEEL NEED TO MAKE SYMBOLIC GESTURE LIMITING CRUDE OIL AVAILABLE TO US BUT WE ALSO EXPECT THEY WILL PLACE MORE EMPHASIS ON USING FINANCIAL RESOURCES TO SUPPORT EGYPT AND SYRIA. END SUMMARY.

1. GULF OIL MINISTERS INCLUDING AMUZEGAR OF IRAN, MET EVENING OCTOBER 16 AND DECIDED PRESENT COMPANIES WITH "TAKE IT OR LEAVE IT" DEMAND FOR 70 RPT 70 PERCENT INCREASE IN POSTED PRICES. GOK FORMALLY PRESENTED KUWAIT OIL COMPANY WITH DEMAND MORNING OCTOBER 17. KOC MANAGER STRAND TOLD AMBASSADOR THIS ACTION WOULD RAISE POSTED PRICE FOR KUWAITI CRUDE FROM \$2.93 TO \$4.90 PER BARREL, AND GOK TAKE WOULD BE INCREASED \$1.18 PER BARREL (FROM \$1.75 TO \$2.93). STRAND ADDED THAT THERE NO QUESTION IN HIS MIND OPEC GOVERNMENTS FIRM IN THEIR DEMAND AND THAT COMPANIES' HAVE NO CHOICE BUT TO AGREE TO IT.

2. ARAB OIL MINISTERS INCLUDING YAMANI WHO ARRIVED TUESDAY EVENING HAVE NOW CONVENED AT OAPEC HEAD-QUARTERS TO DISCUSS ROLE OF OIL IN PRESENT MIDEAST FIGHTING. KOC OFFICIAL CLAIMED HAVE NO INFORMATION REGARDING OUTCOME OF OAPEC MEETING, BUT HE SHARED OUR VIEW THAT MINISTERS WOULD HAVE TO COME UP WITH SOME SPECIFIC PROPOSALS IF THEY ARE TO APPEASE ARAB PUBLIC OPINION. HE AGREED THAT SAUDI ARABIA, KUWAIT, AND LOWER GULF STATES WOULD RESIST ANY MOVE TO NATIONALIZE COMPANIES AND THAT THEY DO NOT ENJOY THE DIRECT LINK OF OIL AND POLITICS. NEVERTHELESS, HE ANTICIPATES SOME COMBINATION OF EMBARGO AND REDUCTION OF PRODUCTION.

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3. THERE HAVE BEEN NEWSPAPER ARTICLES AND OTHER REPORTS THAT OAPEC MINISTERS WILL REFRAIN FROM CALLING FOR PRODUCTION LIMITS. ACCORDING TO THESE REPORTS, ARAB OIL STATES WILL DIRECT ATTENTION TO INCREASING INCOME AND PROVIDING FINANCIAL ASSISTANCE TO EGYPT AND SYRIA. FYI KUWAIT NATIONAL ASSEMBLY DURING SPECIAL SESSION OCTOBER 16 AUTHORIZED GOK TO DRAW KD 100 MILLION (ABOUT

\$350 MILLION) FROM OFFICIAL RESERVES FOR WAR EFFORT.
PRESUMABLY \$250 MILLION WILL GO TO EGYPT LEAVING
\$100 MILLION FOR SYRIA. END FYI

4. KOC

CICIAL INDICATED TO EMBOFF THAT COMPANY
CONTINUING TO OPERATE NORMALLY ALTHOUGH HE EXPRESSED
SOME CONCERN OVER CONTINUING EXTREME DEMANDS BY
LABOR UNIONSTHAT PRODUCTION BE REDUCED SUBSTANTIALY.
HE SAID UNIONS HAVE TOLD GOVERNMENT THAT IF GOK DOES
NOT ACT, UNIONS WILL BE FORCED TO TAKE MATTERS INTO
THEIR OWN HANDS.

5. COMMENT: PRESSURES MOUNTING ON OIL STATES TO TAKE
TANGIBLE STEPS IN EFFORT PRESSURE U.S. TO LIMIT AID

TO ISRAEL NOW. ON OTHER HAND, WE BELIEVE GOK WANTS
TO SEPARATE POLITICS AND OIL PRODUCTION AS MUCH AS
POSSIBLE. FOLLOWING SECRET SESSION OF NATIONAL ASSEMBLY
OCTOBER 16, THERE WAS NO CALL BY LEGISLATURE FOR

RADICAL USE OF OIL AS A WEAPON. KUWAITIS AND OTHER
CONSERVATIVE OIL PRODUCING STATES APPEAR AT THIS TIME
LIKELY CHOOSE TO USE FINANCIAL RESOURCES TO ASSIST
EGYPT AND SYRIA RATHER THAN TO CUT PRODUCTION WHICH
MORE DAMAGING TO EUROPEANS IN SHORT RUN THAN US.
IN FACT, ACCORDING TO BAGHDAD USINTOFF WHO VISITED
KUWAIT EARLIER THIS WEEK, IRAQIS NOT, RPT NOT,
INTERESTED IN CUTTING PRODUCTION AT THIS TIME. WE
BELIEVE, NEVERTHELESS, THAT THERE WILL BE PRESSURE
ON OAPC MINISTERS TO MAKE SYMBOLIC GESTURE TOWARDS
LIMITING CRUDE OIL THAT WOULD BE AVAILABLE TO UNITED
STATES.

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Message Attributes

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